



## **GME'S NEWSLETTER – New issue now on line**

Rome, 17 February 2011 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is now downloadable from [www.mercatoelettrico.org](http://www.mercatoelettrico.org)

The newsletter opens with a contribution by **Alessandra Motz** and **Pia Saraceno** from **REF** about European experiences of market-based gas balancing systems.

The analysis infers that the balancing issue is not only central to the work of European institutions and of ERGEG, but *particularly topical also in Italy, which has so far lagged behind* in regulating this aspect of transport. Motz and Saraceno explain that the Autorità per l'Energia Elettrica e il Gas (AEEG - the Italian electricity & gas regulator) has put forward *a now well outlined proposal, which is expected to be implemented as early as from April 2011*. The experts from REF point out that the regulator's proposal *provides for the transition from a balancing system, based on automatic use of the physical resources of the Stogit storage hub and on penalties associated with strategic storage charges for network users without storage capacity, to a market-based balancing system. This is required by Regulation (EC) No 715/2009 (within the framework of the Third Package) and by ERGEG's Guidelines*. In the system outlined by AEEG - continue Motz and Saraceno - *the network operator may no longer automatically resort to the storage hub, but to a balancing market session. In this session, gas or storage space (with a minimum quantity obligation) will be offered until covering the flexibility demand jointly expressed by the network operator and by the shippers authorised to participate in the market*. In their analysis, the experts from Ref focus on the market-based balancing systems adopted by some European countries (UK, Germany and France) whose market and network sizes are similar to the ones of Italy. Some lessons can be learned from these systems, which have been in place for some years now. *With a liquid spot market, the choice of the price in this market as a*



*reference for the settlement appears to be more secure, as it can limit operators' strategic behaviours and risks of economic damage connected with the failure to internalise shortages, if any, in the national market into the settlement price - stress Motz and Saraceno. Moreover, the choice of the normal spot market for balancing may help enhance its liquidity and reliability. In conclusion, Motz and Saraceno emphasise that countries where the incumbent had strong control over the network operator deemed it appropriate to entrust the management of the balancing market to an independent entity, although their first solution had been in part different.*

The new issue of the newsletter comes with the usual technical commentaries on European and national power exchanges and environmental markets, the section with the analysis of trends in the Italian gas market and the one giving insight into the trends of the main European commodity markets.

As has become customary, GME's new publication reports the summary data of the electricity market for the month of January.

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